

# EXPORTS

A MATTER OF ECONOMIC SURVIVAL

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anada's economy is changing.

The population growth has slowed and our domestic market is not expanding as it was. We have had to look elsewhere for our markets. Our exports are growing rapidly. At the present time, one in three Canadian jobs depends in whole or in part on exports. In order to keep our mills and factories running at capacity, and to create the jobs we need, we will have to make every effort to keep our export volume rising.

To ensure this happens, the federal and provincial governments have joined with business and labour to promote exports on a nation-wide basis through the second annual observance of Canada Export Trade Month.

Business has a particularly important role to play. The producers of Canada's goods and services not only have to seek new markets abroad, they have to enlist the co-operative support of their employees, suppliers and shareholders. The message is elementary: Canada must export more goods and services in order to generate jobs and to raise living standards. Canadians can do this if we work together.



# Exports have become the largest single source of jobs in Canada.

Too many of us continue to think the export business can be done by someone else; usually a resource producer. That may have been so when our domestic markets were expanding, and when the world demand for our natural resources seemed unlimited. It is no longer the case now that so many of our resource producers are reaching the limit of their market growth.

*We have to export more manufactured goods to supplement our limited domestic markets. We have to develop and export new products to take up the slack in resource exports. That means the export business can no longer be left to someone else. It is now the business of all Canadians.*

Last year, Canada exported \$91 billion in goods; everything from spices to software. This year, our exports should top \$100 billion. We used to export about 25 per cent of what we produced; now we're exporting 30 per cent. And we must maintain that trend.

Since the turn of the recession, our export performance has been good. It accounts for most of our economic growth; yet we still have many unemployed and much idle capacity.

So we must do better. We will if we all make exports our top priority. Established and first-time exporters are pointing the way; the former by expanding existing export markets, the latter by developing new ones.

Many more producers, though, who could export, have yet to try. Some may think they are not competitive enough; others may believe their products are simply not good enough. Some may prefer to keep their profits rather than to invest them in export market development; many may think they are too small to export.

If a producer isn't competitive enough to export, in the long run he probably isn't competitive enough to survive at home. If a product isn't good enough for export, perhaps it isn't good enough for the domestic market either. There is always money to be spent on market development; money spent on export markets is usually money well spent.

No producer is too small to export. A producer can export directly by working in concert with other small producers, or indirectly, as a supplier to a large exporter.

Every producer, with the right price for the right product, is a potential exporter. Making the most of that potential is the key to individual corporate growth. Collectively, our willingness to expand and diversify our exports will make the difference between growth and recession; the margin of our economic well being. ★

## Exports Mean Jobs

*Work for One in  
Three Canadians*

Exports have become the largest single source of jobs in Canada. Exports generate jobs everywhere in the economy, not only in the mills and factories of export companies, but in the corner grocery store as well. We all have a job at stake to some extent, in our export performance. Not all of us recognize this yet.

Most of us think of exports primarily in terms of our natural resource industries: mining our ores, cutting our forests, developing our energy sources, and reaping our farm and fish harvests.

While it's true that resource-based products still constitute the largest share of our exports we're also exporting an increasing volume of manufactured products; products which are derived as much from our human resources as from our natural ones. Automobiles and parts lead the way and tend to overshadow the broadening range of other manufacturing exports. These are often produced by relatively small businesses scattered from coast to coast.

Exports of resource and manufactured products provide jobs for nearly 3 million Canadians, about one third of our employment. But it doesn't end there.

An exporting company requires many goods and services to conduct its business. It must buy materials and components as well as the machinery and tools to make the products that it can export.

The exporting company also requires legal and accountancy services, and warehousing for its products. These requirements all generate jobs. Though at times seemingly removed from the actual business of exporting, they are no less dependent on it.

These are not the only ways that exports generate jobs. The men and women either directly or indirectly engaged in exporting use their



EXPORTS BUILD CANADA EXPORTER, ÇA RAPPORTE

*October is Canada Export Trade Month, a joint effort of the public and private sectors of the economy to promote the importance of exports to every Canadian.*



salaries to buy food, clothing, and shelter; to buy furniture and appliances; and to take holidays. The money they spend for these things helps generate another round of jobs.

What we're describing is the multiplier effect of export jobs. This is another way of saying that jobs in direct exporting generate other jobs outside exporting. That is why all of us have a stake in our export performance.

*We have become an export economy. Our present and future employment opportunities are being shaped more by our ability to export than by our domestic consumption. In other words, our best hope for increasing employment is by increasing our exports. We can do that only if more of what we produce is world competitive in every way: in price and quality, in design and application. That's the real challenge of this decade. ★*

## Obstacles to Overcome

*But Export Assistance  
Readily Available*

Canada has been working for broader access to foreign markets for its products. This has been done mainly through multilateral negotiations within the General Agreement on Tariffs and Trade (GATT), and by bilateral negotiations as opportunities have arisen. But in some ways, the world economic environment is not as conducive now to export growth, as it was a few years ago.

Nonetheless, the volume of world trade is close to \$2 trillion annually, and it's rising. The opportunities this presents for Canadian exporters are of incalculable value. There are obstacles in the way, but exporters can draw on the active support and assistance of governments and their agencies in overcoming them. Support and assistance is available as well in the private sector.

The underlying thrust among nations is still towards freer trade through the phased tariff reductions negotiated during the last GATT round. There has been, however, a resurgence of *protectionism* in some markets: the legacy of recession in some instances, the result of technological advances in others.

Although tariff barriers have come down, non-tariff barriers have risen. The most common has been the imposition of quotas which can

often prove to be a greater deterrent to exports than tariffs. Other non-tariff barriers include licensing, labelling, packaging, and related special conditions.

The speed and extremes of *currency fluctuations* have also had an impact on the trade environment. As Canada's dollar has depreciated relative to the U.S. dollar, it has gained in value relative to most other currencies, disrupting established trading patterns in the process.

The growth of *international indebtedness* has been another disruptive development. Many countries have had to restrict imports in order to conserve the foreign exchange earnings needed to service their debt. There has been a growing requirement for long-term financing of essential imports. In effect, exporters have had to lend their customers funds to purchase their products.

Exporters can no longer count on secure markets to the same extent as in the past. One reason is the emergence of new exporting countries with very competitive products and prices. Exporters must sometimes be prepared to include the *transfer of technology* with the sale of their products. Or there may be a resort to *counter-trade*, where exporters are required to accept some of their customers' products for resale as a condition of sale.

*These developments mean that Canadian exporters, when devising marketing strategies, have to look well beyond the conventional requirements of product quality, competitive pricing, and assured delivery.* They have to be prepared to compete in other ways: in the provision of financing, for example, or in a willingness to joint venture.

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### New Product, World Sales

Up to seven years ago, tests of blood samples in Canada had to be made with imported diagnostic chemicals. Now those chemicals are being supplied, in increasing quantities, by a Prince Edward Island company.

Diagnostic Chemicals Ltd. first established itself in the domestic market. Now it is selling its diagnostic kits in the U.S., Britain, the Mediterranean area, Korea, Singapore, Taiwan and Hong Kong. Sales have been growing at 30% a year over the past three years.

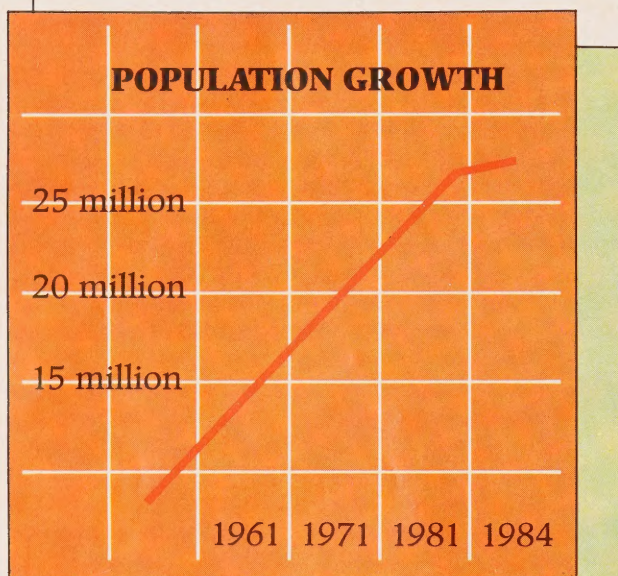
### Plan Carefully, Build Slowly

Exporters should plan carefully and build slowly. That is the advice of Gaston Malette, president of Waferboard Corp. Beginning with a sawmill in 1952, Malette and his five brothers have expanded into the manufacture of board products made of poplar wood chips. Waferboard's two plants in Ontario and Quebec now export 50% of total production to markets in the U.S., West Germany, France, England and Cuba.



Most products are exported to markets in traditional ways. The changing world environment and intensified export competition, however, are forcing exporters to adapt their selling practices to each market's specific requirements. For many exporters, that willingness to adapt has become the name of the game. ★

*In recent decades population increases fueled economic growth. Now our nearly stable population demands that we look more to exports to improve our economy.*



## Exporting Pays

*Business Can Sell  
into Larger Markets*

**M**any Canadian businesses still haven't discovered that exports pay. Instead, they are waiting for the domestic market to recover fully.

Such businesses are ignoring the deep-rooted changes which have taken place in the domestic market; changes which have nothing to do with projections based on past performance.

Population growth has slowed considerably, and the domestic market is not growing as rapidly as it was in the 1960s and 1970s.

Extrapolations of natural market growth based on the statistics of those decades simply don't apply to the 1980s.

Even if domestic conditions were more favourable, it is doubtful that there would be any great increase in projected gains in consumer sales of more than 2 to 2½ per cent. This increase is simply not large enough for factory capacity developed to meet the consumer requirements of the 1960s and 1970s. Markets have to be found elsewhere if that capacity is to be fully utilized.

Many producers are concerned that they are not able to export; either they are too small; their prices aren't right; or they can't afford the costs of export market development.

But have they tried?

*Hundreds of businesses entered the export market for the first time last year. Their efforts have helped to increase Canada's total export sales to \$91 billion—a greater increase in real terms than was experienced in the domestic market. This is reflected in their balance sheets.*

Exports this year should top \$100 billion. Again, exports will experience a greater increase in real terms than the domestic market will. If these considerations aren't enough to encourage more export activity, here are others.

Tariff protection is being phased out as a result of multilateral negotiations. Obviously import competition will intensify, but, since tariff reductions are largely reciprocal, access to export markets will correspondingly improve. The only way many producers will be able to survive is by becoming more competitive. Getting into export markets now is one way to do so.

The conventional wisdom has been that an exporter needs a strong domestic base to keep costs at levels which are export-competitive. Many of the businesses entering export markets for the first time, though, have at best a limited domestic base.

They are employing new technology to overcome the handicap of smallness; they are improving their product; they are developing innovative and specialized products. Put another way, they are substituting the right product, at the right price, in the right market, for the conventional requirements of extended production runs.

The character of Canada's exports is also changing. There is a shift from exports based on natural resources, though these still dominate the mix, to exports of products and services based on human resources. This trend will grow as world competition by other natural resource producers intensifies. Now is the time to ride the



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## any small and medium Canadian firms have become successful exporters.

trend, to seek out new markets to supplement existing domestic ones. To delay further is to risk being too late.

Fear that they would be overwhelmed by domestic competitors discourages many businesses from exporting to the U.S. market. But that market is changing too, and in the process, is generating export opportunities where none existed before.

*Many small and medium-sized Canadian firms have become successful exporters to the U.S., often in products in which the U.S. was thought to be superior. The plain fact is that Canadians can compete when they set their minds to it. And as a result, we all benefit.* ★

## Stability Through Diversity

*Exports a Cushion against Economic Swings*

Exports do more than impart a gloss on the corporate balance sheet. Frequently they confer other benefits, some immediately apparent, others which take time to appreciate.

One of the *immediate benefits* is the *longer production runs* that are made possible by going beyond limited domestic markets and usually without new capital investment. Longer production runs will frequently *reduce costs*, making the producer more competitive both at home and abroad.

*This graph shows dramatically how we have become progressively more dependent on exports for our economic well-being. But with resource industries beginning to reach limits to their export growth potential, manufacturing, technology, innovations and services must take up the challenge.*

Longer production runs also broaden the domestic operating base in a variety of ways, depending on the type of product and the position of the producer. With expanded sales, for example, the producer is in a better position to develop new production processes or to introduce new products.

A related export spin-off is the *stability* which diversified markets provide. A producer, committed only to the domestic market, is limited by the country's economic trends. Since national economies do not always move in concert, strong export markets can offset weaknesses on domestic ones.

Right now the U.S. market is the strongest anywhere, and the share of Canadian exports going to the U.S. is in excess of 75 per cent of total exports. Other export markets are beginning to expand too. The broader the *export diversification*, the more likely there will be a strong market to offset a weak one.

Successful exporting is, as much as anything else, a continuing process of adapting operations and products to the requirements of different markets. Such continuing adaptation can be, for the committed exporter, the pathway to improvements in production, product marketing, and delivery.

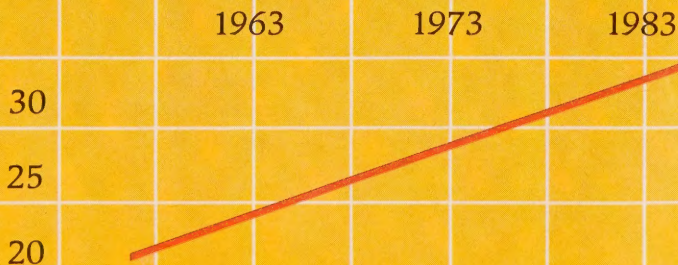
Here are some of the ways companies can develop export markets. The Canadian producer may have a desirable product, but a foreign company may be better situated to market it; it may possess the technology the Canadian company can use; or it may possess other advantages. This can lead to a *joint venture*.

Such joint venturing becomes a two-way conduit for exchanges of product and market intelligence. It is a means to hold down costs, and is often a springboard for the introduction of new products not originally included in the export program.

Not all exporters can afford to maintain sales and related establishments in export markets.

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### EXPORTS AS PROPORTION OF GNP





One solution could be *consortia* exporting; whereby a number of smaller but similar exporters establish a common sales office. Another could be the use of *trading houses*.

Industry export groupings are becoming more frequent as exporting becomes more attractive, particularly when an export package includes many components. Canadian engineering participation in foreign mega-projects is a frequently noted example. ★

## Pursuit of Excellence

*Better Products  
at Better Prices*



**B**efore the recession many Canadian producers were protected from the full impact of a changing world trade environment because of the rapid growth of the domestic market. This was the result of a growing and progressively more affluent population. This is, unfortunately, no longer the case.

Now producers must adjust to intensified world competition by becoming more productive, by becoming more innovative, by upgrading the quality of their products and, most importantly, by seeking new markets.

These are demanding requirements, but many businesses have demonstrated they can be met. Others are in the process of doing so. Many

who have not made a start have faced the consequences, or are now at risk in an increasingly competitive environment.

Take productivity. What does productivity mean to the small and medium-sized business? It can be defined most succinctly as a measure of efficiency. Efficiency is simply producing goods at less cost in time, labour and capital.

Many business people persist in thinking of productivity only in terms of substituting machine power for human power. More and better machines may help improve efficiency, but that is not the only way, nor is it necessarily the best way. Significant gains in productivity can be realized by improving the quality of labour and management.

Another area is innovation. In the simplest terms, innovation is the continuing search for a better product or a better production process, whether in harvesting farm lands and fisheries and processing the crop, or in manufacturing. The search must not be confined to the research department. It should involve everyone in the business. There are always better ways of producing, marketing, and delivering goods and services.

Nor does innovation merely consist of changing the colour of the product, or redesigning its package. Such cosmetic changes were acceptable when consumerism was at its height; today, they are not enough. Buyers want the best product at the lowest price. Producers must continuously review their methods of giving it to them, always looking for ways to improve.

Product quality is also important. Any deficiency in quality becomes particularly apparent when producers attempt to tap export markets. Lack of quality control in production, whether of resource or manufactured products, is frequently cited as a greater obstacle to successful exporting than is price. A product which is barely good enough for the domestic market, not only will not sell abroad, it will not sell for long at home either.

*Canada's potential for increased exports, particularly of manufactured goods and services, is still far from being fully realized. It can be realized only, if Canadian producers meet the requirements of greater productivity, innovation, quality, and a determined pursuit of new markets.*



## Cars for Japan

Export opportunities are often found where they are least expected. George Fejer was going to export his custom designed, two-seat sportscars to the U.S. market. That was, it seemed obvious to him, the logical market for them.

Instead, he has found his initial market in, of all countries, Japan. He has a firm order for 100 cars from Japan, standby orders for 200. He also has orders from West Germany and the Middle East.

Fejer is president of Super Seven Sportscars Co., Newmarket, Ont. His plant there is producing entirely for export.

While his first sales have been to Japan, Fejer has not forgotten the U.S. He is preparing to produce another model, which is intended for the U.S. market.

## Crumpets, everyone?

A crumpet is not to be confused with an English muffin. It took two years for Terry Lynn Bakeries Ltd., Burnaby, B.C., to make this clear to potential U.S. customers. Now that it has succeeded, its crumpets can be bought in groceries and delis as far down the coast as San Francisco.

Exports account for only 5% of total bakery sales but Terry Lynn is convinced this is only the beginning.



**O**ur economic growth depends, most of all, on increasing and diversifying our exports.

## Challenge of Change

*New Technology  
Opens new Opportunities*

**M**any of us are frightened by technological change. It is advancing so rapidly that we feel threatened by it. What is technological change? It is not much more, really, than progressively more sophisticated ways of doing what we have always done.

No one can perceive clearly the dimensions of the new world being created by technological change; the new world of microchips, laser beams, robots, and fibre optics. We may therefore be inclined to wait until the dimensions are clear before we attempt to determine what our place in that new world should be.

Such delays would be like trying to hold back the tide. Rapid and pervasive technological change is a fact of life now. We must do more than simply learn to live with it. We must also learn to harness it and use it to our greatest

*Export gains in the booming post-recession U.S. market have more than made up for exports declines elsewhere. With growing protectionist pressures in the U.S., and as the recovery spreads to other countries, Canada will have to make special efforts to increase offshore sales.*

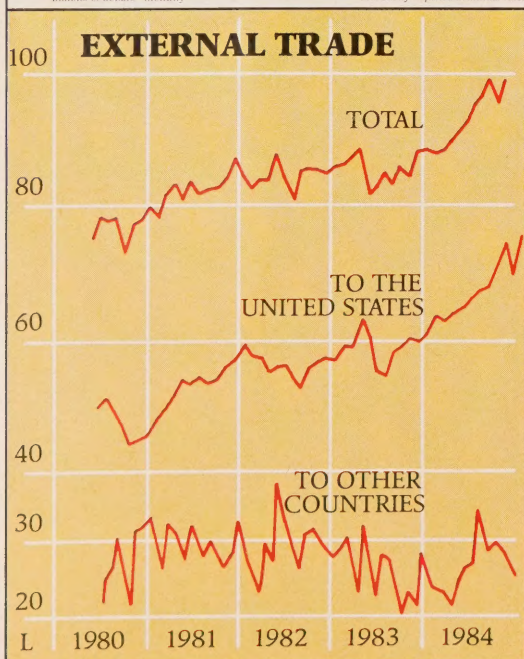
advantage. Nowhere in our economy is the need to do so more urgent than in increasing and diversifying our exports.

*Our ability to make exports grow is essential to our economic survival.* Technological change can help by making us more competitive in the products we are producing now, in two ways. The first is in its application to production processes; the second is in the additional value technology can impart to the final product. To do this, we will need more skilled technicians, men and women capable of pursuing technological advances in new areas of application. And we will also need entrepreneurs willing to convert those discoveries into marketable products.

Technological change has subtly altered the conditions of trade. Everything we produce now, whether a product of natural resources or human ones, is an expression of some recent technological advance. That advance might be found in the design, engineering, or marketing of the product. It might well be found in the product itself; in some new quality that has been imparted to it.

That technological content will continue to grow. As it does, the focus of competition will shift increasingly from the product towards the technology employed in its manufacture.

We must ask ourselves how well prepared we are, as a nation, as an industry, for this emerging competition among technologies. The quick answer will be found in the response of the marketplace. ★



## Export Growth

*We Can Have it  
if we all Work Together*

**M**ost of Canada's growth last year came from exports. Most of our growth this year, and next year will come from exports. Our domestic markets aren't large enough to provide all the jobs we need, and to generate all the income necessary, to improve our living standards. Our economic survival depends on economic growth. Our economic growth depends, most of all, on increasing and diversifying our exports.

Exports have been rising at an annual rate of close to 10 per cent. Almost all of the increase has been in exports to the U.S. market, a result of

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the strong U.S. recovery and a weaker Canadian dollar. This has made Canadian export prices more competitive.

There are indications that U.S. market growth may soon begin to slow. We can't expect our exports there to continue to increase at the current rate. We must look for growth in other markets: in Europe, in the Middle East, in Latin America, in Japan, and elsewhere on the Pacific Rim.

Competition in export markets is intensifying; other countries want export growth too. Trading patterns are changing with the emergence of Third World producers, particularly of the same resource products which still dominate Canada's exports. Trading patterns are changing in other ways as a result of technological advances. Export competition in some markets is encouraging protectionist pressures.

These are the challenges that face us. We can meet them only if we work together. Our starting point must be the recognition that we can no longer afford to measure our management skills, terms of employment, cost and quality of our products and the efficiency of our production methods solely by domestic standards. Domestic and export producer alike have to meet standards set by competitors all over the world.

Management and labour must work more closely. Suppliers and their employees must recognize that the costs to their exporting customers must also be competitive. Owners and shareholders must recognize the need to invest more in the quality of a product, in technological innovation, and in market development. Financial institutions too have an important roll to play in keeping Canada competitive.

Canada is rich in natural resources. We have become accustomed to thinking of our mines and forests and farmlands and fisheries, as money in the bank; which we can draw as necessary. Other countries have natural resources too, resources which are often less costly to produce. Our natural resources will continue to be important to our economy, but our future depends on our human resources.

Each of us has a role to play in the utilization of those resources. Manager and worker alike must continuously improve their skills. They must learn to adjust to changing technology and learn to employ it effectively. Together they must devise better ways of producing goods and services. The private sector, the managers, workers, suppliers, owners and shareholders must take the initiative in meeting the challenges of change and world competition.

*That is the message of Canada Export Trade Month. It is a message which must be proclaimed in every part of Canada by business and labour leaders, by educators and administrators, by everyone who believes in Canada's future.*

The challenges that face us can be met by a dedicated national effort from which we all will benefit. We must make a start now. ★

## Export Information

**C**anadExport, containing up to date information on foreign markets, is available free of charge in Canada. If you are not already receiving it and would like to be placed on the mailing list, let us know. In fact, if there are any questions about exports or export assistance that you might have, phone us at INFO EXPORT, 1-800-267-8376, or write to CanadExport (SCI) Dept. of External Affairs, Lester B. Pearson Building, 125 Sussex Dr., Ottawa, K1A 0G2. We'll be glad to provide you with export advice.



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